PROPOSED DUAL TRAIN OPERATING BUDGET, 1973

Including a breakdown of Variable Expenses to "Variable Cost per Operating Hour"

Responsibility	Variable Expense Classification	1972 Dollars	VOCH	Proposed 1973 Dollars	VOCH
Ed (mostly)	Repairs & Maintenance, rolling stock	2,387.34	3.53	2,600.00	2.17
Suzan	Wages, Office	2,218.69	3.28	3,200.00	2.67
Suzan/Carol	Wages, Stewards and Stewardess	7,624.92	11.28	9,000.00	7.50
Dennis	Wages, Engineers, Fireman & Cond.	6,801.78	10.06	12,000.00	10.00
Dennis	Wages, Maintenance of Engines	5,213.93	7.71	9,300.00	7.75
Dennis & Ed	Wages, Maintenance of Cars	236.25	.35	250.00	.21
Suzan	Wages, Yard Gang	1,504.50	2.23	1,500.00	1.25
Dennis	Engine Service & Materials	5,993.33	8.87	12,000.00	10.00
Suzan	Bank & Credit Card Charges	129.23	.19	190.00	.16
Suzan/Carol	Cleaning Supplies	875.10	1.29	1,000.00	.83
Ed & Suzan	Tickets	463.87	.69	600.00	.50
	Fuel	10,387.13	15.36	7,500.00	6.25
	Payroll Taxes	2,441.33	3.61	3,700.00	3.08
	TOTALS	$46,277.40	$68.46	$62,840.00	$52.37

In calculating the 1972 seasons "VOCH", we took the total number of runs, both scheduled and charter, 169, and assumed an average time of four hours per run, giving us a total of 676 operating hours. With a total Variable Cost of $46,277.40, divided by 676 equaled $68.46 or our 1972 VOCH. (This also totaled $273.83 variable cost per run). For the 1973 season, our goal and budget will be a VOCH of $52.37. I am therefore enclosing a resume of each variable cost and a comment on the justification for developing the amount. Please comment and criticize as there is nothing sacred about this, and I want accuracy and feasibility of budget, not just grand figures we cannot attain. On the fixed costs, these are totals which should not be exceeded unless they are explained in advance. Remember, Dennis, Regular track work on the leased right of way is capitalized both in labor and material are not expenses, but must be calculated as coming from profits. In other words, the money we spend on this during the summer must be a part of this years profits or we are sunk, and an adequate amount of profit must be left on December to run the company until next May agian. In essence, spending money this year on Track and Buildings are actually spending profits that we haven't made yet. Since our income projections and our projected expenses are for the full

twelve months, we need to project a cash flow so that the track expenditures made during 1973 will not leave us without any cash for the beginning of 1974. We should have a minimum of $35,000.00 in the bank on January 1st, after payment of the lease right of way. Once we have the ability to project capital expenditures as a result of profits we have made it will be much easier. As it is, we are spending money before we make it, and this is dangerous.

Analysis of the Variable Expenses:

1. Repairs & Maintenance, Rolling Stock: Since this refers to the cars only, and most of them will not be running any more miles than previous seasons, except for a slightly longer season, we will assume a 10% increase: $2,600.00 (VOCH $2.17).

2. Wages, Office: Fixed cost, however to add a person at Bridal Veil, assume $10,000 per day for 102 days: Total $3,200.00 (VOCH $2.17).

3. Wages, Stewards and Stewardesses: A guess, but shorter trains and shorter runs should allow us to run this for about the same as last year. Add about 15%: Total $9,000.00 (VOCH $7.50).

4. Wages, Engineers, Fireman and Conductors: Direct ratio between operating hours except for spring work trains: 1972 676 operating hours, 1973 estimate 1200, 77.5% increase: $12,000.00 (VOCH $10.00).

5. Wages, Maintenance of Engines: Same reasoning as #4: $9,300.00 (VOCH $7.75).

6. Wages, Yard Gang: No need for one at Bridal Veil, therefore, same: $1500.00 (VOCH $1.25).

7. Wages, Maintenance of cars: Same reasoning as # 1: $250.00 (VOCH .21).

8. Engine Service and Material: Because of repairs to #35, double last year: $12,000.00 (VOCH $10.00).

9. Bank and Credit Card Charges: This is a direct ratio: Budget $190.00 (VOCH .16).

10. Cleaning Supplies: Should be higher, but Canyon train much lighter: $1,000.00 (VOCH .83).

11. Tickets: Direct to number of people: $600.00 (VOCH .50).

12. Fuel: Using the railroad waste oil great savings: Calculate 1 cent for purchase, 2 cents to move to Heber, 1 cent for waste and 1 cent for labor and water = 5 ¢. 5 ¢ X 120,000 gallons = $6,000.00, Coal for #618: $1,000.00, Motor Oil & Grease, $500.00 Total $7,500.00 (VOCH $6.25).

13. Payroll Taxes: approximately 11% of wages: $3,700.00 (VOCH $3.08).

TOTAL: $62,840.00 TOTAL VOCH: $52.37

Projected Income:

Management would like the Directors to know that in an attempt to predict imcone under the Dual Train Concept, we are approaching it in the following ways:

1. Taking an analysis of the increase in per day patronage 1971 vs 1972, projecting this increase into 1973.

2. Assuming that the interest in the Heber Creeper out of the Heber terminal will not be materially affected by the use of the Bridal Veil Falls termina. We know that over 80% of our patronage came from the North in the past, and this factor, plus the natural increase in interest particularly from the tourist standpoint should allow us to maintain the same interest in the Heber City terminal.

3. Expected vast increase in State publicity.

4. More runs at more convenient times with a more flexible rate schedule should give us a sizeable increase in patronage.

5. Being more ready for the season. Except for the big question mark of the engines, our rolling stock will be more adequate for the opening, and certainly the advertising in the initial part of the season will have a far greater impact on the first part of the season.

After considering all of the above factors and conditions, Management is still very cautious about predicting the outcome, but feel the following is a fair projection of what we will develop:

We project we will haul 65,500 people, and the average revenue per person will be $3.30, giving us a gross of $216,150.00 less Sales Tax of $9,307.42 equals	$206,842.58
Projected Net Income from Charters:	15,000.00
Projected Net Income from Gift Shop:	500.00
Projected Net Income from Concession Car:	1,500.00
Total Gross Income Projected:	$223,842.58
Projected Expenses:	166,546.00
Profit before taxes:	58,296.58*

* However, due to volumn, lease on Railroad will increase our lease payment but previous credits will actually reduce the actual cash payment to the minimum. Net income will probably be around $40,000.00, cash available after operating expenses.